

**Study Meeting**  
**Monday, August 17, 2015**  
**Bloomington Civic Plaza**  
**1800 West Old Shakopee Road**  
**Bloomington, Minnesota 55431-3027**

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| 1   | <b>Call to Order - 6:00 PM</b>         | Mayor Winstead called the study meeting to order at 6:00 p.m.<br><br>Present: Councilmembers C. Abrams, J. Baloga, T. Busse, A. Carlson, D. Lowman and J. Oleson.  |
| 2   | <b>INTRODUCTORY</b>                    | None.  |
| 3   | <b>CONSENT BUSINESS</b>                | None.  |
| 4   | <b>PUBLIC COMMENT PERIOD</b>           | None.  |
| 5   | <b>HEARINGS/PUBLIC INPUT</b>           | None.  |
| 6   | <b>ORGANIZATIONAL BUSINESS</b>         |  |
| 6.1 | <b>2015 Bloomington Survey Results</b> | <p><u>Requested Action:</u> Staff to present the results of the 2015 National Citizen Survey and the National Business Survey. No Council action required.</p> <p>Community Services Director Diann Kirby presented the results of the 2015 National Citizen Survey and the National Business Survey. The Citizen Survey was conducted by mail and online from May 1 – June 5 at a cost of \$23,424 (nearly half of which will be paid by the State Auditor's Office). The Citizen Survey garnered a 35% response rate. Highlights of the Citizen Survey included the following: "Bloomington residents continue to enjoy a high quality of life. The economy and safety are important to residents and are highly rated in Bloomington. Residents are pleased with City services, and maintaining them is a priority." The survey included the following two custom questions: "To what extent, if at all, would each of the following City actions increase property values in Bloomington?" and "How important, if at all, is it for Bloomington to address each of the following issues over the next five years?"</p> <p>Kirby presented the results of the National Business Survey. This was the first year for this survey in Bloomington. It was an online survey conducted between April 16 – May 26. It garnered a 13% response rate. The cost for this survey was just over \$15,000. The highlights for this survey included the following: "Bloomington business owners and managers value the community as a place to live and do business and feel positively about the business climate. Economy is important to business owners and ratings related to Economy were positive. Business owners feel their business space needs are met and generally feel positive about the available workforce in Bloomington." This survey included a few custom questions. The surveys will be conducted again in 2016.</p> |

Council comments/inquiries:

Baloga asked about demographic information for businesses. Kirby replied that was not as detailed for the business survey.

Winstead was hoping to hear more specifics on the items that were rated lower than previous years.

City Manager Jamie Verbrugge said there was a slight reduction in “acting in the best interests of the city.” He said the survey went out at the same time the organized collection issue was prominent in the community. With regard to the honesty of City government, he said those numbers are right in line with what the City has seen in polling over the last 30 years. He said local government consistently scores higher than any other level of government with regard to honesty, which is consistent with the national trends on how people view government.

Winstead said he'd like to take the survey apart from the standpoint of what the City needs to improve on.

Carlson said the surveys are a worthwhile endeavor. It gives the Council a lot to think about. He questioned how the Council can influence what the spotlight is shined on. Council to e-mail their ideas to the City Manager.

Oleson said it would be helpful if the Council could have input from the business community. He suggested the City send out a postcard to the businesses that interact with the City, either by mail with an easy return or electronically, to gain additional insight. He commented while representing the Council at a few community events, he's heard very positive responses from businesses about working with the City.

Busse said there appears to be a disconnect between the responses to the individual questions vs. the bigger picture questions. For example, travel by public transportation gets low marks but the desire by the public to address the issue within the next five years gets a low ranking. He asked if the National Survey explains that result or makes any assumptions the City can draw upon. Kirby said not necessarily in the Citizen Survey and is something the City needs to dig into.

Community Development Director Larry Lee said it makes sense. He said questions can go out of sync in terms of their answers.

Verbrugge said the phrasing of the question isn't as important as the “knee jerk” reaction of the respondent in terms of how they value various services. He said focus groups with direct engagement could ferret out more detail.

Lowman said he's been attending the Make It MSP meetings and he'd like to see how the broad topics of education and economy match up with the Make It MSP indicators.

**6.2 Housing and  
Neighborhood Initiative  
Program**

Requested Action: Provide direction to staff on the Housing and Neighborhood Initiative programs and budget requests.

Larry Lee, Environmental Health Manager Lynn Moore, and Housing and Redevelopment Authority (HRA) Administrator Doug Grout presented this item.

Lee summarized the process to date on how to strengthen neighborhoods in the most cost effective way. He asked Council if they were okay with the specifics. He said staff is proposing a general improvement to the home loan programs and is initiating a pilot project in a large neighborhood over two years to see if the investment the Council makes results in a good, cost-effective payback from that district. The proposed concept in the Neighborhood Emphasis Program is to focus all of the City's service and expertise in one neighborhood in addition to the loans program and Environmental Health's enforcement efforts. There will be housing maintenance incentives and money for a park improvement, infrastructure improvements, and related police programs. He said staff toured an east Bloomington neighborhood on July 7. Grout and Moore will be referring to some of what they observed on that tour and why they recommend a certain neighborhood.

He presented the following questions for Council consideration:

- Should the City go ahead with these programs?
- If so, which ones?
- Which neighborhood should be used for the pilot program?
- How does the City fund the things that will make an impact? Lee recommends \$1 million in additional funding in 2016. Grout recommends putting \$750,000 into a revolving fund; money that will come back to the City when people sell or refinance their homes. He said Bloomington owes former Mayor Neil Peterson a debt of thanks for creating the revolving loan program. He's asking for \$1 million next year but two-thirds of it will go into a revolving fund that will improve the community over and over again.

Lee presented the following slides:

- Imagine Bloomington 2025: "A goal is to preserve and enhance vital, safe, welcoming neighborhoods." He reviewed the goals and objectives.

Lynn Moore reviewed the 2015 National Citizen Survey results with respect to quality of life in Bloomington in general and then provided some responses by Council district regarding how would certain actions increase property values in Bloomington, how important is it for the City to address certain issues over the next five years, over the next two years, and what actions would increase Bloomington property values,

Lee stated the City's amended ordinance that tweaked the City's Code Enforcement ordinance; i.e. weed cutting, etc. wasn't in effect when this survey was taken.

With regard to the survey results, Moore said a desire for redevelopment of old commercial properties was ranked consistently high across all Council districts as was additional home improvement loans as a way to increase property values. She said increasing property maintenance enforcement and City Codes still ranked high. She noted keeping property taxes as low as possible went from ranking #1 to #3 in this year's survey. She reviewed the elements residents thought would improve the city overall.

Doug Grout said staff discussed the survey findings and toured various neighborhoods on the east side. He said the HRA is proposing the following four program initiatives: Expanded Home Improvement Loan Program, Curb Appeal Loan Program – a new deferred loan program, Model Home Program – whereby the City purchases a distressed older home, fixes it up, and uses it as an educational and marketing tool, and the Neighborhood Focus Area. He went into more detail regarding each of the four program initiatives:

- Expanded Home Improvement Loan Program: Reduced interest rate from 4% to 2% over the first 10 years. Start the citywide program in 2016. More money to make more loans. The income guidelines would be increased from 80% of Area Median Income (AMI) to 100%. He showed a photo of a house the City recently rehabbed in central Bloomington through one of the City's loan programs which included improvements to the roof, fascia and soffit, windows, door, and exterior painting.

Winstead asked how quickly the loans turn over. Grout replied it varies. As houses sell, the loans recycle. He said the maximum loan length is 40 years but on average, they're 10-15 years.

- Curb Appeal Loan Program (deferred loan program): Homeowners could get up to 10,000 in a 0% deferred loan. Staff's budget request for this program is \$150,000. It could be used for garage door repair and replacement, driveway repair/replacement, exterior painting, landscaping, tree trimming and tree removal.

Moore stated it's hard for people to get a loan for those types of things.

Grout said it's a deferred loan that will be easy to administer but added there will be some income limits.

- Model Home Program: City to purchase a distressed, single-family "fixer upper" home within the focus area. City will do some added value improvements to show what can be done with these types of homes. These were well-built homes and they do appeal to buyers. The home would be showcased with open houses, You Tube videos, etc. The first home might be geared to families with children. It would cost the City approximately \$250,000. The City would hold it for a while and then sell it to a first-time home buyer for a loss of approximately \$40,000-\$50,000. Staff intends to really market these programs within the targeted neighborhood.

Lee mentioned staff would like to showcase the home at the 2016 Home Improvement Fair, which is held in February.

- Neighborhood Focus Area: *(Moore)* Staff looked at east Bloomington neighborhoods. They used Census Tracts to gain good data on income, number of years in the home, and in information on the homes from the American Community Surveys as recent as 2013.
- Neighborhood Focus Area Selection Criteria
- Colored Map of Eastside Neighborhoods based on Census tracks: Area C (Portland to Cedar Avenue down to 86<sup>th</sup> Street) is small (just over 600 homes). Staff expanded Area C down to 90<sup>th</sup> Street, which increased the number of homes to 1,100. They believe either Area C or Expanded Area C would be good candidates for the Neighborhood Focus Area.

- Expanded Home Improvement Loan Program: (*Grout*)  
The City and the HRA would each contribute \$480,000.  
Approximately 40 homes could be improved.
- Curb Appeal Loan Program: City would contribute \$150,000.  
Approximately 20 Curb Appeal deferred loans could be made.
- Model Home Program: HRA would contribute \$250,000 to update one home.
- Park Improvements: City would contribute \$300,000 towards two parks.
- Infrastructure Improvements: City would contribute \$150,000 – could be used to replace street or wayfinding signs or to expedite the sealcoat program in the selected neighborhood.
- 2016 Total City Contribution: \$1,080,000. HRA's contribution would be between \$700,000-\$800,000.

Grout said with Council's conceptual approval, staff will proceed with the following programs: Expanded Home Improvement Loan Program, Curb Appeal Loan Program within the Neighborhood Focus Area, Model Home Program tied in with the Home Improvement Fair, Neighborhood Focus Area "C" (Smith Park neighborhood), and Park and Infrastructure Improvements geared towards the Neighborhood Focus Area.

Council Comments/Inquiries:

Winstead said staff is on track regarding Bloomington's maturing housing stock and downward trends but asked staff to clarify what "Better right-of-way maintenance" means; as it garnered a 90% overall response from residents who said it would increase property values. He took it to mean the City's maintenance of its own right-of-way and properties within the neighborhoods and said it needs to be addressed more directly. Those areas need to be maintained in a more tidy fashion. He said it should be a priority going forward and suggested budgeting what is needed to make it happen. He said many of the houses that are slipping are not due to a lack of resources but are because of a lack of interest on the part of the homeowner. Some people just don't want to improve their properties even if there are deferred loans available.

Lee said the \$150,000 he's requesting could be used for that purpose. He said Council and staff have worked on a combination of incentives and enforcement in the past. If someone has a need but is unwilling to participate in some of these incentive programs, there's still the enforcement aspect to get them to fix the peeling paint issue in addition to peer pressure. He said staff is hoping these programs will get neighbors talking to their neighbors about upping the appearance of their properties.

Winstead said he doesn't know why Code enforcement hasn't been to a house on 1<sup>st</sup> Avenue stating something has to change. He said there needs to be a combination of incentives to get people moving in the right direction.

Abrams said ownership and pride in the neighborhood needs to come from the residents themselves. The City will need to create gathering points in these areas to inform the residents about the programs that are being implemented. Let them know the City wants to work with them. She questioned the reason for the turnover in the houses in Area C, how long are they on the market, are they the fixer upper homes, and what about the overall crime rate for the area. She said the Council will need to know if the work it's trying to do will have an effect on crime. She asked if a goal should be to get the entire neighborhood engaged in the Neighborhood Watch Program.

Abrams said since the City will be putting money into these programs, it needs to have the right players in place. She said there's a metric in the citizen survey that revealed a sense of neighborliness is missing from District IV and this is an opportunity for the City to make some improvements. She supports the selection of Neighborhood C.

Baloga said the highest survey percentage was a tie between desiring increased street maintenance and redeveloping old commercial properties, which makes it's hard to evaluate this project because it doesn't address the citizens' highest priorities. He said Council has no insight into the costs or how the City will attack the commercial redevelopment projects. He said that's the highest priority among citizens and Council doesn't know how that's going to be dealt with. People keep asking him what the City is going to do with those centers. Lee said there are twelve neighborhood centers in the city and four of them are in good condition. The City intervened and helped three of those four come back to where they are today. He said in each of those three centers, it's been a 10-year plan. He said the community centers will be expensive and time consuming so the City doesn't know how many it will be able to do at one time. He said it can be a successful endeavor and reported the City did not intervene with the 98<sup>th</sup> & Normandale Center.

Verbrugge said residents recognize commercial properties have the potential to raise property values but it ranked lower in importance.

Baloga said people want the neighborhood centers to meet their needs and commented it's more of an observation. He liked Area C but not expanded Area C. He questioned diluting the peer pressure and suggested it would be better to get 2-3 homes on a block participating in the program. He expressed concern with the projection that the City might put \$250,000 into a "show house" and then sell it at a loss for \$210,000. He said that will send the wrong message to citizens. That says the improvements won't increase the value of the home. He said that expectation needs to be explored further. Grout explained with the model home, the City would be looking to do everything at once adding the HRA typically sells these homes at a lower income to first-time home buyers.

Lee said remodelers get a 60-90% return on investment with improvements.

Winstead suggested making the "show house" the "party house" where social events could take place such as National Night Out, etc. He said since these entire loan programs are subsidy programs, staff needs to be sure there is value received for the homeowner. Grout said it will be to take a really tough house and turn it around.

Baloga suggested getting HGA TV involved. He also said there might not be much that can be improved on the slab-on-grade homes and suggested they be precluded from the criteria.

Winstead agreed and said it would be better to put the money into a well-constructed rambler vs. a slab-on-grade home. Lee said staff will show Council a lot map of the slab-on-grade homes, as they're concentrated in groups of blocks in some of the smallest areas.

Busse asked for the budgeted cost for the neighborhood focus area. He asked if more right-of-way maintenance and improved Police presence has been calculated into the costs. Lee replied the infrastructure improvement amount of \$150,000 could be spent on right-of-way maintenance. He said the Police Department would adjust their resources to address what the Council is doing with the Neighborhood Focus Area.

Verbrugge said there is nothing here regarding a commitment for community engagement. He said there is a lack of connectedness in those neighborhoods so getting the homeowners connected to the community is a good first step in getting them to care about their property.

Oleson commented this is a lot of good information. In terms of focusing in his District IV, a lot of it has to do with image. He said people have an attachment to District IV. He mentioned something that happened on 2<sup>nd</sup> Avenue this summer that gave him a visual -- younger families. It would be good for the City to get a sense of that. Regarding neighborhood feel, he said there are agencies out there that could help the City build more neighborhood positivity. He said staff needs to be cautious about using peer pressure to spur on physical improvements, as it could lead to divisiveness in the neighborhood. He mentioned attending a ULI conference on housing where he learned the area median income and affordable housing are important factors. During his door knocking a couple of years ago, he said he discovered several households only had one person living in the home. He suggested finding an area where a half of a block or one entire block of homes in poor condition could be taken down and replaced by newer, smaller houses that would require less yard maintenance and would have reduced utility costs.

Winstead said none of the programs presented would have the dollars needed to redevelop an entire block but agreed the discussion should keep moving in that direction.

Oleson said the City needs to invite input and ideas from the private sector. Area E could be attractive to developers once the Old Cedar Avenue Bridge is done. He said if the owners in an area with a lot of slab homes are desirous of having smaller yards, they might be interested in the concept of smaller homes.

Lowman said this is great work and he's very supportive of this as a great first step. The City needs to ensure it's strengthening neighborhoods while doing it fiscally responsibly. He asked if this is something the City could sustain for ten years in all of the areas identified. Lee replied staff believes the City should devote at least two years per neighborhood. If there are five neighborhoods, that's a ten-year period. He said what's being proposed are annual amounts. He said the question becomes can the City afford not to sustain it if it improves neighborhood strength and home values. He said staff hopes to demonstrate with the first neighborhood this has a great return on investment and it's cost effective.

Lowman asked about the benchmark being used to determine whether or not it's a success at the end of two years ... increased property values or reduced crime? He asked for the success factors. Grout said it depends on whether there is a lot of demand for this type of help. Staff can get home sales data for which success could be measured. There is a lot of tangible as well as some intangible data the City can compare.

Lowman asked if that feedback will be gathered via the citizen survey. Lee said if the Council says go ahead and fund it, staff will come back with an evaluation approach they can use over ten years.

Verbrugge said the City will build its metrics on how the area is selected and it could develop a neighborhood-specific survey. It would be a subtle reminder that these programs are out there and available.

Winstead reminded everyone the City is working to improve the housing stock overall. This isn't a hit it once and be done with it. It needs to be constant and ongoing.

Regarding the Expanded Rehabilitation Loan Program, Lowman asked if this will allow people to add an additional room onto their home. What are the limitations? Grout replied additions are allowed. Some interior improvements (kitchens and bathrooms), garage door replacement or repair, etc. He said the smaller program allows quicker changes that don't cost people as much money.

Lee added if someone wants to do a more extensive project, they could pare the City's loan with a loan of their own.

Grout said roof, siding, doors, etc. is part of the expanded program.

Lowman asked if bringing placemaking into these neighborhoods would be a way to get folks involved.

Carlson said bringing the Expanded Rehabilitation Loan Program citywide is great. He said the terms of the loan will maximize the amount of money coming forward. The City should look for ways to incentivize early loan repayment so that the money can be reinvested. He said it's the type of improvements that aren't very exciting people should consider doing. Regarding loans for the exterior, it makes sense to restrict this one to the focus area. He said there needs to be some guidelines regarding diseased trees and proper disposal and there should be a requirement that the stumps be ground out. He'd like more information on the landscaping element. He said the Model Home program is the most exciting but it's the most risky and asked what staff anticipates spending on that program. Lee replied the HRA is looking to contribute \$250,000 for the upfront expenditure; which could result in a cost of \$40,000 to the City after the home sells. It will be 100% an HRA program. He said people who care about the appearance of the city realize landscaping has a life to it. After 15 years or so, landscaping becomes over mature and detracts from the appearance of a home. He said there are companies that will do a landscape design if the materials are purchased from them. It would be good to have an incentive for people to spruce up their landscaping.

Carlson suggested a landscaping plan should be repaid over a shorter period of time. He questioned how park and playground money would be spent. Lee said it depends on which neighborhood is selected and the parks selected within that neighborhood. He said Parks & Recreation will advise Council on how much should be spent on what. It's a budget placeholder.

Verbrugge said the City has money budgeted for an asset inventory review of Bloomington's park facilities to understand what those needs are. They will start that inventory with the Neighborhood Focus Area.

Winstead asked for Council's thoughts on whether it should be Area C or Expanded Area C. Would the City have the same impact if Expanded Area C was selected? He wants the City to concentrate on one area and do it right.

*(Staff to provide Council with more information on the Neighborhood Focus Area but they concurred with Area C or C-Expanded being the priority area.)*

Baloga asked if this program could be expanded from South Loop to 35W. Winstead said not if South Loop Development Funds will be used. Other resources would be needed.



Verbrugge said staff will bring back more information including further details regarding the park emphasis piece.

### Council Recess

Council took a short recess.

### 6.3 Task Force Updates

Requested Action: Provide feedback on revisions to the composition and timelines for both the Community Center and Hyland Greens task forces.

Diann Kirby presented this staff report. She said the community center study goal is to provide the Council with the information, public input and recommendations necessary to determine the potential future of a new community center. She presented the community center objectives, task force membership, and timeline. A revised timeline has the Council making the task force appointments at the October 19<sup>th</sup> meeting. The task force would begin meeting in November 2015 and would serve through the site selection and design process in mid-2017.

Council offered the following feedback:

Oleson commented it's important to have youth involved and said they could be part of the School District's representation.

Carlson asked if the community center will be a tax supported recreational facility and where will it be housed in the budget. Verbrugge replied that has yet to be determined. He said there are many financing models out there but first the type of community center it will be needs to be determined. Carlson suggested that be part of an early on conversation for the task force and requested staff explore other community centers to determine how a potential community center should be figured into the City's budget.

Winstead said the Council doesn't know what a community center will look like. The current community center has an emphasis on senior programs. The task force will determine the amount of space needed for those programs and what the associated costs will be. He said the budget process will determine the construction costs, program costs, and usage.

Carlson said this will be an open process. The task force can consider any option, as staff won't be trying to steer it in any direction. Kirby concurred and said staff will provide the task force with information but will not be steering them in any direction.

Oleson questioned the governance of the community center task force -- will staff have a vote; will the task force work to a consensus. Kirby replied staff is working on that.

Winstead said whatever comes out of the task force will be advisory to the City Council.

Verbrugge said staff will learn from the Hyland Greens task force.

Abrams said it would be good to know in which Council districts the potential community center applicants are living. She said it would be helpful to know which district the task force members will be representing. She doesn't want it to fall to those that are the most engaged; as that would be people living on the west and southwest side of the city. Kirby said she'll add that to the information that will be provided to the Council.

Kirby continued with the Hyland Greens Study. She again presented slides that highlighted the following:

Task Force Charge: As appropriate, develop recommendations regarding a re-use strategy specific to the following three options:

Kirby said five options have been narrowed down to two options plus a hybrid option and asked Council if that was still the charge of this task force.

1. Full park utilization
2. Full development re-use
3. Hybrid approach

Oleson said he thought the Council wasn't going to shut the door on any of the options initially presented. He said Council requested more information on two of the particular options but wasn't closing the door on any of them.

Carlson said this process is important and agreed with Oleson. The Council will look to the task force for direction. He said Hyland Greens is a community asset and once it's gone, it's gone forever. He asked staff to consider looking at all of the golf options first. Thoroughly vet all of the golf options before considering turning Hyland into something else. He doesn't want the City to miss any opportunity. He said the City doesn't need to make a profit on this. He said a tax-supported recreational facility in this location should still be considered as a viable option.

Baloga concurred and said if the goal is to get the community engaged, they need to be given a license to look at the full spectrum of options and possibly more. He said maybe they'll be creative and develop a sixth option.

Abrams said the public feels there is a lot more to consider than what has been presented.

Winstead said the golf entities need to be explored first. Take them apart to see if they could be made whole or improved. Determine if there is a way to maintain golf and make it sustainable and at what cost. Then work in the others to offset it. A way to make golf successful needs to be figured out or a determination that golf is dead will need to be made.

Verbrugge asked Council if they wanted the task force to focus on all of the options or on the reuse strategies with an understanding that golf is still possible. Should they determine if golf is viable either as a City-supported or a privately-supported enterprise? Or, should they look at the full spectrum.

Baloga replied yes.

Carlson said explore the golf options first and bring back information to the Council. If there are viable options within the Golf First category, the Council should narrow them down to see if any of them could move forward. That will initially limit the scope of the task force but it provides for a straight direction.

Abrams said early on in the process the task force will need to learn about the enterprise. There will need to be some fiscal analysis. She said staff needs to ensure every golf option has been exhausted.

Winstead stated the direction is to turn the task force loose on the golf options first and then it can expand from there.

Lowman concurred with studying golf first. He said people are really interested in keeping Hyland as a golf facility. He said Hyland is currently an enterprise fund but questioned if it would make sense to move it out of there to give the task force more time to make a sound decision for the long-term.

Winstead said other enterprises have covered golf in the past but are no longer able. He said it will now fall onto the General Fund for support or another enterprise fund. Perhaps it should be in the Parks operating budget.

Oleson said the City needs to communicate a message to the public because the rumor is Hyland won't be open in 2016.

Verbrugge said the discussion is whether Hyland will be operating in 2016. If the process results in a desire to redevelop the property, it will take all of 2016 so the issue of whether or not to operate Hyland in 2016 is a budgetary decision. He said that hasn't changed.

Oleson said the word needs to get out that Hyland Greens will be open for business for at least 2016. Verbrugge said that decision should be made by the end of this season; which is the end of October.

Winstead said if anything comes together for golf, it will remain at Hyland in 2016. If an option converting it to something else or another downstream alternative comes to the surface, that won't get rolling in 2016 so it's still very likely golf will take place at Hyland in 2016. He said the City will have to commit to a subsidy or a budget deficit in order for golf to continue at Hyland in 2016.

Kirby continued with the presentation:

- Task Force Membership: Council to appoint members and alternates at the August 24 Regular Council meeting. Copies of the applications to be provided to Council in their Thursday agenda packet. 38 applications have been received. Council will be given a scorecard that indicates which position on the task force the applicant is qualified to represent.
- Facilitation Proposal: Staff recommends hiring a consultant to work as a task force facilitator at a cost of \$4,000 - \$6,000, as this could be a potentially contentious process.

Baloga agreed and said the consultant can help structure the composition of how the task force comes to a conclusion; will it be a consensus, a majority, and who gets to weigh in on that. He's not sure a consensus can be reached by the task force. It will probably come to a majority position. He suggested the task force be structured like the City's other advisory commissions. Let the chair, who also has a vote, help set up the agenda so staff doesn't get tainted on this and let the chair run the meeting along with the facilitator. He said according to the media, this is a done deal. He commented staff should be more advisory to this group.

Verbrugge said his preference is for the task force to have a consensus-based decision outcome. He said the first meeting needs to be about the expectations of the task force and how that process will work.

Winstead said staff should look for a recommendation from the task force based on a majority vote.

Oleson said it would be good for the task force to understand there will be some gray areas. If the task force cannot come to a clear consensus, then they should go with a majority recommendation.

Abrams said as co-chair of the 2010 elementary school district boundary redrawing task force, it was all about redrawing the lines based on data. It was a well-managed process that kept people focused on the goal. She'd like a consensus or at least a majority vote. She said this group will have to work together and trust each other so they can present their very best work to the Council.

Busse said there will be a consensus. He doesn't believe a facilitator is necessary. He said all signs are pointing towards keeping Hyland operating so perhaps the Council should approve the \$200,000 annual budget loss to keep it running.

Carlson said perhaps there's a threshold to which the City can operate Hyland Greens to where there is some tax support but questioned how much of a subsidy does Hyland Greens deserve. He said those metrics haven't been explored by Council. All of those pieces need to be researched and reviewed. He said the task force members should bring in their own ideas and a facilitator will help guide that discussion.

Winstead said the Council consensus is to move forward with hiring a facilitator. He suggested staff provide Council with the task force resumes.

Kirby said the task force will work from September 2015 through January 2017 and will present a recommendation to the Council in February. A decision should be made by the Council around April 2017.

Winstead said the task force needs to look at any and all golf options, explain how it would operate, and at what loss, if any, and justify their answer.

Lowman asked if a facilitator will be hired for the community center task force. Kirby said that hasn't been determined yet.

Baloga questioned the process for making the task force appointments. Verbrugge said staff could push the appointments to September 14.

Winstead suggested staff bring this back in September, set the cut-off date, and give Council the extra time to review the applications.

Carlson said he'd be interested in serving on the task force as the Council representative.

Kirby restated the Facilitator will work with staff and the task force chair in setting the agenda for the meetings.

#### **6.4 2016 Preliminary Levy and General Fund Budget Discussion**

Requested Action: No formal action is required.

Chief Financial Officer Lori Economy-Scholler and Budget Manager Cindy Rollins presented the 2016 Preliminary Property Tax Levy and the Proposed General Fund Budget. They presented the following slides:

- Discussion Objectives
- Budget Cycle and Framework: Refining of the 2016 budget
- Citywide 2015 Revenues Budget: Does not include Internal Service Funds or Capital Project Funds. Property taxes equal 42% of total revenues.
- Citywide 2015 Expenditures Budget
- 2015 Tax Levy Categories

Verbrugge stated the expenditures are more than the revenues because it indicates a planned spend down of some fund balances in the area of Utilities.

- Entire City, HRA and Port Outstanding and Projected Debt
- Tax Supported Debt
- Tax Supported Debt Service Graph
- 2015 Anticipated Debt Issuance
- Fall 2015: Sale PIR Bonds
- PMP, Local Wayfinding, Lennar/BCS
- Tax Abatement: Normandale Lake District (NLD)
- Approved NLD Tax Abatement Areas
- Tax Abatement: Actions taken to date
- Tax Abatement by Year
- Recreational Facilities: Enterprise Funds – tax supported
- Recreation Facilities: Current and Potential

With regard to Golf, Economy-Scholler said it would most likely be continued in an enterprise fund but in the future could be funded out of Recreational Facilities if necessary. Any park development or a community center could be accounted for separately out of Recreational Facilities to track all revenues and expenditures.

- Fire Pension: City will need to make fire pension payments through 2020. There is a lot of volatility that affects Fire Pension and the investment piece won't be known until December 31, 2015.

Winstead commented the chart would look the same with a full-time career fire department except it would be funded for fewer participants.

Verbrugge said with a career full-time fire department, the pension obligation would be in the Police and Fire PERA system, which means the pension costs would be rolled into the operations. There wouldn't be a separate pension obligation as in this case.

- History of City Fire Pension Contributions: Forecasting use of Strategic Priorities in 2016.
- Fire Pension Reserve & Strategic Priorities: 5-year plan to restore pension obligation to the levy while moving away from dependency on positive performance and/or Strategic Priorities for funding on an annual basis.

Baloga asked what's the best indicator of earnings on this fund. Economy-Scholler said the City needs to get closer to 8%. The contribution needed for each firefighter is \$25,000.

- PMP Updated Plan of Action: 4.5 miles of reconstruct from 2014-2019. More money will need to be put into the PMP Program, which means a greater levy. The overlay miles need to be increased to 9 in 2016-2019.
- PMP Overlay Graph
- All Trails Maintenance: 9 miles are in desperate need of help.
- PMP ROW Trails: Map & PMP Trail Reconstruction Analysis 2015
- PMP ROW Trails Pavement Condition Index (PCI) Map
- PMP Park Trails
- PMP Trails within the Parks
- Franchise Fee Map: Areas in MN and 7-County Metro Area
- Hennepin County Map: CenterPoint, Xcel and the two combined
- Franchise Fee Work in Hennepin County by Cities

- Population and Franchise Fees: 72% of Hennepin County residents are paying franchise fees.
- Potential Revenue Source PMP Overlay and Trail Program: \$6.50 per month in total franchise fees for each gas and electric user.
- Strategic Priorities: Will use Local Government Aid (LGA) in 2016. No dollars modeled in the 2016 levy for Strategic Priorities.
- Hyland Green? Repayment: If the decision is made to sell Hyland Greens, some of the \$800,000 spent last year could be recaptured for Strategic Priorities.
- Strategic Priorities Modeling

Economy-Scholler said there might not be any positive performance at the end of 2015 unless different strategies are implemented, positions are held open, and the number of projects within the General Fund are reduced. She said the admission taxes will come in less than budget due to the past activities in February and March. She is hoping to make the budgeted hotel revenue but said five hotels are in the midst of major remodeling. She said the revenues from fines and fees will be less than budgeted due to the court system continually giving the City less on that.

Verbrugge said the shortfall for Hyland Greens might be greater than what was shown.

Winstead said positive performance at Dwan has funded the \$800,000 shortfall at Hyland Greens for many years.

Carlson asked about the Fire Relief pension obligations

- General Fund: Lodging and Permit Revenue
- 2016 Tax Levy Categories: Total Tax Levy \$53,511,524 = 7.08%
- Levy Category Changes

Verbrugge said lots of downturn strategies were employed coming out of the recession. Most of the basic services within the General Fund were held at the maintained service level using those strategies. He said department heads were asked to submit the basic services from the conceptual budget and identify needs that haven't been met over the past few years, important wants, and the wish list items. He said department heads took that charge very seriously and pragmatically, which resulted in \$3 million of requests or a 13% levy increase. He said most of the wants, the wish list, and some of the needs have been whacked. He said going from the 2015 Approved Budget to the 2016 Conceptual Budget there's been a gradual process to start restoring a lot of the internal service fund balances to a healthy level. The Conceptual Budget was already higher than what the Council normally sees. He said Council wanted to get the Fire Pension back into the levy and wanted staff to focus on other strategic priorities such as the Neighborhood Emphasis Program.

Economy-Scholler said between now and December, if Council approved the implementation of franchise fees, the levy could drop from 7% to 5%.

- Monthly Cost vs. CPI Increase: 7% results in a cost of \$76.08/month.
- 2016 Levy Options and Home Owner Impact: \$4.42 monthly increase on a median value home.
- Levy Limits: No limits for 2016 but they are anticipated in 2017. Setting Preliminary Levy at 7% is the maximum; it can go lower.

Baloga said the 7% levy doesn't include any of the other priority summaries Council went through during the last 70 days but it included \$500,000 for Fire Pension.

Carlson asked about the \$3 million change in the General Fund. Rollins said it includes a few more personnel, the Park Asset Inventory, an increase in training dollars, and some Public Works maintenance. Staff to provide Council with that information.

Baloga said the Fire Pension is now in the levy and asked isn't Positive Performance planned to be that much greater. Economy-Scholler explained there were strategies during the downturn to hold positions open but now the City is working to build back Internal Service Funds so it diminishes the Positive Performance.

Baloga said he's looking for \$4 million in answers. He's uncomfortable with a preliminary levy increase of 7% that could be reduced to 5%. Given Bloomington's past levy history and other cities moving very little from their preliminary to their final levies, he said the City needs to tighten up between now and the final levy.

Oleson asked when the franchise fees would be factored in if the Council approves using that strategy. Economy-Scholler replied if they were approved in late October/early November, the City could start receiving revenues approximately April 1, 2016. She explained the Preliminary Levy has to be approved in September so there is no way a franchise fee could be approved before that.

Baloga said if the City implements a plan to reconstruct the really bad trails, it would take 10 years to accomplish that under this plan. He doesn't believe it would be prudent to replace something that is so deficient over a long period of time. He would prefer to implement trail reconstruction sooner and bond for it. Verbrugge said it's an option but staff would want to consult with Engineering to see how much work can be undertaken on a year to year basis.

Economy-Scholler said to do the trails in a systematic way, the Charter change could be implemented. That public hearing is scheduled for August 24. If approved, it wouldn't go into effect until December.

Verbrugge said if a 7% levy is too high for the Council no matter what decisions are made, staff needs to know that, as there are a number of different options. He said the desire is to keep the current services at the level they are now.

Busse said looking at the debt service and the needs, they're all headed in the same direction. They're not sustainable. He suggested maybe the Council needs to look at a "stop doing" list, whether it's an obsolete service or an ineffective one. He said the City can't sustain a 7% levy increase over the next few years. Economy-Scholler said staff will break down the 7% increase into the tiered services for Council's review and ranking.

Verbrugge said the percentage levy increase for 2016 could be reduced if the PMP Enhancements, the Neighborhood Emphasis Program, and/or the trails were put off another year.

Winstead said the Council has identified some needs and wants and staff has identified how it will affect the levy.

Busse said the levy increase will be even higher for commercial/industrial in 2017.

Oleson said the Council needs to have a marketable concept regarding why the City is proposing a higher levy in 2016. There needs to be talk about the return on investment for taxpayers. He said it would be helpful to have something to market and a levy at less than 7.08% would help. Verbrugge said per the past 15 years of levy history, the highest levy change percentage was 5.75% in 2004, 2005 and 2006; the growth years. He said the City is back in a growth mode.

Carlson asked staff to provide Council with a levy rate history chart with a column for the monthly cost of a median valued home.

With regard to marketing, Oleson said people were told property taxes would be going down when the Mall of America went in.

Winstead asked staff to provide what the taxpayers get for the \$3 million. Council will then need to decide if they want to fund the trails, additional PMP, etc.

Oleson said the reality is the extent to which every department is working to find ways to be more efficient in how the City does things and whether there are things that could be discontinued. He said with \$0 base budgeting every year, every department has to justify what they're getting. He said it would be nice if departments determined they could reduce their budgets. He said the business world cuts back when it needs to.

Winstead said that's what happened during the use of downturn strategies. He said the Council needs to give direction on the preliminary levy. He said lately the Council has set the final at what the preliminary was set at and that might be the realistic case this year.

Verbrugge said Council could hold a special meeting on September 14<sup>th</sup> ahead of the September 21<sup>st</sup> meeting if needed.

Winstead suggested staff could present answers to these questions at the end of one of the regular Council meetings. He said the City could defer a larger increase for next year but at some point it will need to approve a larger levy increase to address all of the items that need catching up in the budget.

Baloga said he's more for smoothing this out by developing strategies in order to avoid the big levy increases. He supports bonding for the trails.

Lowman asked if there will be a proposed budget number for the neighborhood commercial centers. Verbrugge said that's an issue the Council is interested in so he foresees the same process being used for the neighborhood commercial centers as was used in developing the options for the neighborhood emphasis program. It will probably be a 2016 work plan to develop the policy with implementation in 2017.

## 7 ADJOURN

Mayor Winstead adjourned the meeting at 11:09 p.m.

Barbara Clawson  
*Council Secretary*